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Testimony before the House Committee on Ways and Means  
on the US-Korea Free Trade Agreement

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Chairman Camp, Ranking Member Levin, Chairman Brady, Ranking Member McDermott and members of the Committee, thank you for the invitation to share the perspective of Ford Motor Company on trade liberalization. Ford Motor Company has supported every free trade agreement negotiated by the United States government since the process began in the mid-1960s, including the three agreements the Committee is reviewing today. During today's testimony I would like to specifically discuss Ford Motor Company's views on the revised 2010 US-Korea Free Trade Agreement.

As many of you may be aware, we at Ford have worked diligently over the past three years to reach a point where we could confidently say the US-Korea FTA will help open, what has been to date, the most closed automotive market in the world. As such, I am pleased to say, on behalf of Ford Motor Company, that we strongly encourage the Congress to approve this agreement. Under its authorities the US auto industry will have far greater opportunity to expand the export and sale of American-made vehicles in Korea.

All of us who were involved in these negotiations are acutely aware that none of this could have happened without the active support and leadership of the Chairman and Ranking Member of this Committee, and the tireless efforts of the United States Trade Representative. On behalf of our President and CEO Alan Mulally, and the tens of thousands of men and women who have worked so hard to make Ford Motor Company the success story that it is, I would like to extend a sincere thank you.

We were fortunate to have several strong partners in helping us bring the Korea FTA to this point. In addition to Chrysler and General Motors, we were able to work in partnership with the United Auto Workers to chart a course in which all could support the final outcome. I cannot recall another trade agreement, certainly not in the recent past, which generated bipartisan support as well as the backing of industry and organized labor. This is a truly great achievement.

South Korea is an important automotive market with annual sales of almost 1.5 million. Ford has been operating without interruption in South Korea since 1995 selling both the Ford and Lincoln brands. The majority of vehicles sold by Ford in South Korea are built in the United States. Our number one selling vehicle in South Korea is the Ford Taurus built at our Chicago Assembly Plant. We also sell the Ford Explorer, Escape, Mustang and several Lincoln models. In 2010, our combined sales in South Korea totaled approximately 4,000 vehicles.

As I previously mentioned, Ford Motor Company supports the opening of markets around the world through well negotiated free trade agreements. As a global company, it is our confirmed belief that the very best business conditions exist when trade barriers and tariffs are removed – allowing for the free flow of goods and services. These

conditions permit the development of a healthy and efficient business, and they are proven to produce a customer base that is gainfully employed, upwardly mobile, and able to make informed choices about purchases such as what vehicle they will drive.

It is a little known fact that the U.S. automotive industry is the leading sector of American exports. Over the past five years the export of automobiles and auto parts constituted nearly 9 percent of total merchandise exports. In 2009, Ford Motor Company alone produced over 270,000 vehicles in the U.S. for export markets around the globe.

Because of the importance of trade in our current and future growth, Ford could not support the US-Korea FTA as originally negotiated in 2007. That agreement essentially locked out American-made vehicles from South Korea. However, the revised US-Korea Free Trade Agreement that will soon come before the Congress provides greater clarity and transparency by affirmatively addressing the issues surrounding non-tariff and tariff barriers.

Specifically, improvements have been made in key provisions impacting car and truck tariff phase outs, automotive safety and environmental standards, taxes, transparency, and the inclusion of a special motor vehicle safeguard and enforcement mechanism.

- Delivers significant improvements in passenger car tariff phase outs keeping the 2.5 percent U.S. tariff in place until the fifth year. At the same time, Korea will immediately cut its tariff on U.S. auto imports in half (from 8 percent to 4 percent), and fully eliminate that tariff in the fifth year.
- Allows the United States to maintain its 25 percent truck tariff until the eighth year and then phase it out by the tenth year while Korea eliminates its 10 percent tariff on U.S. trucks immediately. Additionally, Korea will immediately reduce its electric car tariffs from 8 percent to 4 percent, and both countries will then phase out their tariffs by the fifth year.
- Moves to address automotive safety standards that have historically acted as a non-tariff barrier to U.S. auto exports. It allows for 25,000 cars per U.S. automaker to be imported into Korea provided they meet U.S. federal safety standards, which are among the most stringent in the world.
- Provides increased flexibility and avoids unfair burdens for low volume vehicle importers in meeting environmental standards while maintaining high standards for environmental protection. All U.S. autos will be considered compliant with new Korean environmental standards on fuel economy and greenhouse gas emissions, developed since the 2007 agreement, if they achieve 119 percent of the targets in these regulations. This provision helps American automakers sell their cars affordably in Korea without undermining Korea's environmental objectives.
- Makes great strides in improving transparency in the areas of automotive regulations and taxes and includes a special safeguard for motor vehicles to ensure that the American auto industry does not suffer from any harmful surges in Korean auto imports due to this trade agreement.
- Includes increased efforts around enforcement.

Mr. Chairman, we would again like to thank you and Ranking Member Levin, Ambassador Kirk and his team at USTR, and the Obama Administration for your unwavering support of the American auto industry and your commitment to ensuring the revised US-Korea FTA addressed the needs of our industry and its employees. We

would also like to thank Bob King, President of the United Autoworkers, for his leadership in working to open the Korean market for cars and trucks made by American workers. Finally, we would be remiss if we did not acknowledge Korean Ambassador Han Duk-soo for his tireless efforts in support of forging this improved agreement.

In conclusion, we would like to make a cautionary point that this latest economic downturn has provided ample illustration that manufacturing matters to American jobs, investment, and economic growth. While U.S. manufacturing appeared to take the brunt of the recession's impact, there are now signs that it is leading the nation's recovery. The fact that the American economy added manufacturing jobs last year for the first time in more than a decade is a hopeful sign.

Ford is proud to be at the forefront of this manufacturing turnaround with job-creating investments. We began our company's transformation before the economy fell into recession. We focused in on doing things that just made sense: shedding brands, reducing the number of nameplates, matching capacity to demand, and coming together with our stakeholders to make changes that ensure we can compete and win in the global marketplace. We turned this company around, on our own, and are now delivering profitable growth for all.

Just this month, we announced the company will add 7,000 new American jobs over the next two years. The men and women of Ford Motor Company are working each day to contribute to the economic recovery and make crystal clear that building things here at home is so very important to our Nation's economic health.

We now look forward to leveraging this new US-Korea Free Trade Agreement to continue to build best in class vehicles in America that meet the needs of customers around the world, including in Korea. That is what free trade should be about.

*Ford Motor Company, a global automotive industry leader based in Dearborn, Michigan, manufactures and distributes automobiles across six continents. With more than 160,000 employees and about 70 plants worldwide, the company's automotive brands include Ford and Lincoln. The company provides financial services through Ford Motor Credit Company.*